UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
TYLER DIVISION

ADVANCEME, INC.,	§	**CIVIL CASE NO. 6:05-cv-424-LED-JDL**
Plaintiff,	§	
v.	§	
	§	
RAPIDPAY LLC, BUSINESS CAPITAL CORPORATION, FIRST FUNDS LLC, MERCHANT MONEY TREE, INC., REACH FINANCIAL, LLC, and FAST TRANSACT, INC., d/b/a SIMPLE CASH	§	
Defendants.	§	

ADVANCEME'S REPLY TO DEFENDANTS' RESPONSE TO OBJECTIONS TO DEFENDANTS' EVIDENCE AND ARGUMENTS IN SUPPORT OF THEIR MOTION FOR PARTIAL SUMMARY JUDGMENT OF PATENT INVALIDITY

Dockets.Justia.com

Plaintiff AdvanceMe, Inc. ("AdvanceMe") hereby submits this reply in support of its Objections to Evidence and Arguments presented by Defendants First Funds, LLC, Reach Financial, LLC, and Merchant Money Tree, Inc. (collectively, "Defendants") in support of Defendants' Motion for Partial Summary Judgment of Patent Invalidity. In the interest of efficiency, AdvanceMe only addresses herein its objections to Defendants' assertion of 35 U.S.C. § 102(g) and Hanover Finance, and with respect to authentication. AdvanceMe's remaining objections are fully set forth in its Objections to Evidence.

I. 35 U.S.C. § 102(g).

AdvanceMe's objection to all evidence and argument offered by Defendants in support of their contention that the '281 Patent is invalid under Section 102(g) must be sustained. Even assuming that Defendants' Third Amended Invalidity Contentions were timely served,[1] Defendants have already amended their Invalidity Contentions twice over AdvanceMe's vigorous objections – and not once did Defendants attempt to inject Section 102(g) into this case. Patent Rule 3-6(a)(2) does not permit a party to assert a completely new defense at the end of discovery, and after the bulk of depositions have concluded, simply because the plaintiff amended its infringement contentions following a Claims Construction Order. Defendants have not established that their amendment to assert Section 102(g) was required as a result of the Claim Construction Order or because of AdvanceMe's amendment to its infringement contentions. Defendants have also not attempted to provide any explanation for why they waited so long to assert Section 102(g) in this case.

AdvanceMe would be extremely prejudiced if Defendants are allowed to pursue their belated defense under Section 102(g). This defense has not been the subject of discovery, and was not even

[1] The Defendants' argument that their Invalidity Contentions were timely served rests on a technical interpretation of Local Rule CV-77(A). However, Defendants fail to disclose their failure to adhere to a technical interpretation of Local Rule CV-5(d) which provides, for documents served by electronic means, that "Service after 5:00 p.m. local time of the recipient shall be deemed served on the following day." Defendants' Third Amended Invalidity Contentions were served on February 12, 2007 via email at 5:39 Pacific Time, i.e., 7:39 p.m. Central Time. *See* Declaration of Michael N. Edelman in Support of Plaintiff AdvanceMe Inc.'s Sur-Reply, Exh. B.

asserted until just a few weeks before the close of fact discovery. The law is well established that such amendments are improper. *See, e.g.*, *Mass. Inst. of Tech. v. Abacus Software*, 462 F.3d 1344, 1365 (Fed. Cir. 2006); *see also Nike, Inc. v. Adidas Am. Inc.*, No. 9:06-CV-43, 2007 WL 915154 *3, 5 (E.D. Tex. Mar. 21, 2007) (the rules governing invalidity contentions "are 'designed specifically to "require parties to crystallize their theories of the case early in the litigation"'" and allowing parties to adopt a 'rolling' approach to such contentions "in the hope of hiding their true intentions until late in a case . . . would thwart the purpose of the local patent rules.").

In any event, even assuming that the Local Rules would permit the Defendants to inject an entirely new defense into the case at the close of discovery, the Defendants' Invalidity Contentions make no mention of Section 102(g), other than the reference, without explanation, in the charts contained in Section 1 of Defendants' Invalidity Contentions. *See* Defendants' Response to Plaintiff's Objections to Evidence (hereinafter, "Defendants' Response"), Exh. B, pp. 4-7. Indeed, the Defendants concede that these invalidity contentions fail to satisfy the requirements for assertion of Section 102(g). *See id.* at p. 4.

Defendants' attempt to rely on their assertion of Section 102(f) for satisfaction of the requirements of P.R. 3-3 with respect to 102(g) is insufficient. The Local Rules specifically require that:

> Prior art under 35 U.S.C. § 102(f) shall be identified by providing the name of the person(s) from whom and the circumstances under which the invention or any part of its was derived. Prior art under 35 U.S.C. § 102(g) shall be identified by providing the identities of the person(s) or entities involved in and the circumstances surrounding the making of the invention before the patent applications….

P.R. 3-3. Thus, the Patent Local Rules ***specifically distinguish*** the requirements for assertion of an inventorship defense under Section 102(f) and a prior art defense under Section 102(g). Further, even if Defendants' description under Section 102(f) were sufficient to identify the alleged inventor for purposes of Section 102(g) (which AdvanceMe strongly disputes), Defendants' invalidity contentions still fail to describe any of the "circumstances surrounding the making of the invention before the patent application[ ],” including but not limited to an identification of the alleged dates of conception and reduction to practice. *See id*. This information is completely absent from Defendants’ Invalidity Contentions. As it is undisputed that the Defendants have not come close to providing any of the required information under the Patent Rules, the Defendants’ belated attempt to assert Section 102(g) at the close of discovery must be rejected.

II. HANOVER FINANCE.

Defendants completely avoid addressing the actual objection that was made by AdvanceMe with respect to Defendants’ characterization of Hanover Finance as a separate allegedly anticipating reference. Defendants have ***never*** alleged any “Hanover Finance Program” in their Invalidity Contentions. Indeed, the ***only*** reference to Hanover Finance is a citation to a two-page Hanover Finance Security Agreement to allegedly establish the “forwarding” element of Claim 1 of the ‘281 Patent. Neither the Hanover Finance document nor any “Hanover Finance Program” has ever been asserted in this action as an anticipating reference. Defendants cannot now, for the first time in their dispositive motion, assert Hanover Finance as a separate allegedly anticipating reference. As such, it is of no significance that the claims of the ‘281 patent require multiple entities to perform the claimed method steps. *See* Defendants’ Response at p. 7. To the extent Defendants wanted to assert the “Hanover Finance Program” as a separate allegedly anticipating reference, the mechanism for doing so was identifying the program in their invalidity contentions, just as Defendants did with respect to other alleged prior art programs and systems, all of which involved multiple parties.

Because Defendants have never asserted the Hanover Finance document or the “Hanover Finance Program” as a separate allegedly anticipating reference, AdvanceMe’s objection thereto must be sustained.

III. GLOBAL OBJECTION TO AND MOTION TO STRIKE EXHIBITS B-X AND ALL REFERENCES THERETO.

Defendants expect the Court to accept on faith the representations of its counsel that ***every*** exhibit attached to their summary judgment motion iss somehow authenticated, and therefore that this Court need not be presented with the evidence of such authentication. However, a few examples demonstrate that Defendants' expectation is incongruous with their own concessions that some of the documents attached to their motion have ***never*** been authenticated in this action.

For example, Defendants concede there has never been any attempt to have anyone authenticate Exhibits G and H. Contrary to Defendants' assertion, Exhibits G and H cannot be offered as documents with independent legal significance because neither the signatory of the document nor its receiver have authenticated the document. Without authentication, the hearsay exception of independent legal significance is inapplicable. *See Kepner-Tregoe, Inc. v. Leadership Software, Inc.*, 12 F.3d 527, 540 (5th Cir. 1994). Even assuming the doctrine of independent legal significance could apply where neither the author nor recipient of the document has authenticated the document, the *Kepner-Tregoe* case cited by Defendants does not extend the doctrine of independent legal significance to mere proposals, as this document has been characterized by the Defendants, but only to contracts.

Moreover, Defendants never established proper authentication for Exhibits C, D, or I. Apparently, Defendants contend that a document is authenticated if they simply ask whether a witness has ever "seen" the document being introduced. The authentication standard is much higher. *See* Fed. R. Evid. 901(a); *Duplantis v. Shell Offshore, Inc.*, 948 F.2d 187, 191 (5th Cir. 1991) (summary judgment evidence must be supported by an affidavit of a person through whom the exhibits could be admitted into evidence). In their Response, Defendants attach deposition transcripts purporting to establish authentication for these exhibits, however, none of the testimony authenticates these exhibits. For example, Defendants claim that Exhibit C (containing documents signed by Allen Abbott and J. Randall Bourne) was authenticated by Tim Litle. *See* Defendants' Response at p. 8. However, Mr. Litle's testimony at 111:13-112:8 does not come close to authenticating Exhibit C. Similarly, neither Mr. Litle's testimony at 87:1-17 nor Mr. Bouchard's testimony at 83:21-84:8 (Q: "Have you seen these promissory notes before?" A: "Yes.") authenticates any "portion" of Exhibit D. Likewise, neither Mr. Litle's nor Mr. Bouchard's representation that they have "seen" Exhibit I is sufficient to authenticate Exhibit I. *See* Defendants' Response at p. 10 (citing Litle Deposition at 67:7-69:18 – "Have you seen this letter before?" A:

"Yes"; and Bouchard Deposition at 112:3-24 – Q: Have you seen this letter before?" A: "Yes, back in 1994.").

These are just a few examples of why Defendants' contention that they were not required to authenticate Exhibits B-X must fail, and AdvanceMe's objections thereto should be sustained.

Date: April 19, 2007

Respectfully submitted,

By: *____________/s/ Michael N. Edelman____________*

PAUL, HASTINGS, JANOFSKY & WALKER LLP
Ronald S. Lemieux (CA Bar No. 120822) (Pro HacVice)
Michael N. Edelman (CA Bar No. 180948) (Pro Hac Vice)
Vidya R. Bhakar (CA Bar No. 220210) (Pro Hac Vice)
Robert C. Matz (CA Bar No. 217822) (Pro Hac Vice)
Shanée Y. Williams (CA Bar No. 221310) (Pro Hac Vice)
Five Palo Alto Square, Sixth Floor
Palo Alto, CA 94306-2155
Telephone: (650) 320-1800
Telecopier: (650) 320-1900
Email: shaneewilliams@paulhastings.com

IRELAND, CARROLL & KELLEY, P.C.
Otis W. Carroll, Attorney-in-Charge (State Bar No. 03895700)
Deborah Race (State Bar No. 16448700)
6101 South Broadway, Suite 500
Tyler, TX 75703
Telephone: 903-561-1600 Facsimile: 903-581-1071
Email: fedserv@icklaw.com

ATTORNEYS FOR PLAINTIFF ADVANCEME, INC.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3). Any other counsel of record will be served by facsimile transmission and/or first class mail this 19th day of April, 2007.

By: /s/ Michael N. Edelman
Michael N. Edelman

LEGAL_US_W # 56064047.1